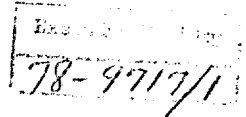


Central Intelligence Agency



Washington, D.C. 20505

OLC RECORDED COPY

OLC: 78-2528/a

1 SEP 1978

Mr. J. Kenneth Fasick, Director
International Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Fasick:

This is in response to your request for Admiral Turner's comments on the draft General Accounting Office report entitled "U.S. Export Licensing Administration Should be More Responsive to Industry."

We are pleased to note the report's recognition that the export licensing system must continue to take into account the Government's legitimate responsibility to control exports for national security reasons. In this connection, we offer the following specific comments on the draft report:

- With regard to the discussion of recommended appeal procedures on pages 54-55, we believe the report should note that specific discussions of denials are likely to be impossible in some cases where national security considerations are involved. The statutory responsibility of the Director of Central Intelligence for the protection of intelligence sources and methods could preclude full public disclosure of the reasons for a particular denial.
- Page 3 of the draft report contains a misstatement with respect to the CIA's role in the present export licensing system. CIA is listed as a consultant along with the Departments of Energy, State and Justice. This implies that the roles of the four agencies are the same. Unlike the other agencies, however, the CIA does not normally have voting powers in the current inter-agency committees that deal with export controls; the Agency is officially designated as an intelligence advisor, and it votes only on items that might affect intelligence collection operations.

MORI/CDF

In this connection, you may wish to inform Congressman Edwards that the contention in his 27 May 1977 letter to the Comptroller General that the CIA is among those frequently using a veto power over semiconductor exports is inaccurate.

Please note that it is our understanding that implementation of the recommendations contained in the draft report would in no way affect current procedures related to Department of State licensing of munitions exports. We appreciate the opportunity to comment on this study.

Sincerely,

/s/ Frank C. Carlucci

Frank C. Carlucci

STAT

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1/9/78

Attached for your signature are Agency comments on a draft GAO report entitled, "U.S. Export Licensing Administration Should be More Responsive to Industry."

While the subject matter of this report is directly related to the current controversy over sale of oil drilling equipment to the Soviet Union, the timing is purely coincidental. We thought it best, however, to keep our comments fairly innocuous, and not to comment at all on the precise role the Agency should play on a proposed "Export Administration Review Board" (i.e., full membership or merely advisory). We need some good internal staff work on this whole problem. The issue is the extent to which the Agency should be involved in the decision-making process.

The attached has been prepared in consultation with GC, NFAC, DDO and DDS&T.

STAT

Frederick P. Hitz